

Message Text

CONFIDENTIAL

PAGE 01 KINSHA 05587 311436Z

ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 SOE-02 CEA-01 DODE-00

DOE-15 H-01 INT-05 L-03 NSC-05 PM-05 OES-07

SS-15 STR-07 ACDA-12 /139 W

-----022042 311447Z /75

P 311335Z MAY 78

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 095

INFO AMCONSUL BUKAVU POUCH

AMCONSUL LUBUMBASHI

C O N F I D E N T I A L KINSHASA 5587

PASS EXIM

E.O. 11652: GDS

TAGS: EFIN, ENRG, CG

SUBJECT: DAMAGE TO CIS FACILITIES AND EFFECTS OF SHABA II UPON
COMPLETION OF INGA-SHABA TRANSMISSION LINE

1. CIS HAS NOT YET BEEN ABLE TO VISIT CONSTRUCTION SITE AT KOLWEZI; HOWEVER, AERIAL PHOTOGRAPHY INDICATES THAT PRINCIPAL WAREHOUSE WAS BURNED. IN ADDITION, THERE APPEARS TO BE SOME DAMAGE TO OTHER INSTALLATIONS AT THE SITE. CIS MANAGER ADAMS TOLD US THAT WAREHOUSE CONTAINED APPROXIMATELY \$10.5 MILLION OF EQUIPMENT WHICH PRESUMABLY HAS ALL BEEN LOST. AN ADDITIONAL \$6 MILLION WORTH OF EQUIPMENT WAS DISPERSED AT VARIOUS POINTS AT THE SITE. HE ESTIMATES THAT PERHAPS HALF (OR \$3 MILLION) OF SUCH MATERIAL HAS BEEN STOLEN OR DESTROYED, FOR A TOTAL LOSS OF ABOUT \$14 MILLION.

2. IN ADDITION, DISRUPTIVE EFFECTS OF SHABA II MEAN THAT CIS CANNOT GEAR UP TO TAKE FULL ADVANTAGE OF FORTHCOMING DRY SEASON. THUS, ADAMS MAKES PRELIMINARY ESTIMATE THAT COMPLETION DATE
CONFIDENTIAL

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PAGE 02 KINSHA 05587 311436Z

OF LINE WILL BE DELAYED ONE YEAR AND TOTAL COST
WILL INCREASE BY AN APPROXIMATELY ADDITIONAL \$30 MILLION.

3. AS A RESULT OF THE ABOVE FACTORS, THE TOTAL COST OF COMPLETION OF LINE COULD INCREASE FROM \$73 MILLION IN PENDING APPLICATION TO APPROXIMATELY \$117-\$118 MILLION.

4. ADAMS TOLD US THAT FUNDS ALREADY RECEIVED FROM GOZ AND \$2.4 MILLION PAYMENT REMAINING WHICH BOFOSSA HAS PROMISED, TOGETHER WITH \$900,000 REMAINING FROM PREVIOUS EXIM LOAN WILL BE SUFFICIENT FOR CIS TO CONTINUE OPERATIONS AT APPROXIMATE LEVEL OF 200 EXPATRIATE PERSONNEL UNTIL JANUARY 1979, BY WHICH TIME HE EXPECTS TO RECEIVE FUNDS FROM NEW EXIM LOAN.

5. ADAMS LEFT KINSHASA EVENING MAY 29 TO DISCUSS SITUATION WITH MORRISON-KNUDSEN OFFICIALS. HE ALSO EXPECTS TO VISIT EXIM IN WASHINGTON.

6. COMMENT: WITH THE WITHDRAWAL OF EXPATRIATES FROM KOLWEZI, ALL MINERAL PRODUCTION HAS STOPPED AT KOLWEZI AND SO HAS CONSTRUCTION OF THE EXPANSION PROGRAM WHICH WAS SCHEDULED TO COME ON STREAM IN 1979 WITH A CAPACITY OF 100,000 MT OF COPPER ANNUALLY.

7. WE UNDERSTAND FROM RELIABLE SOURCES THAT THERE HAS NOT BEEN ANY SIGNIFICANT DAMAGE TO GECAMINES' KOLWEZI FACILITIES, INCLUDING THE EXPANSION CONSTRUCTION. WE ALSO UNDERSTAND THAT LIMITED PRODUCTION AT KOLWEZI COULD RESUME WITHIN SEVERAL WEEKS ONCE EXPATRIATES RETURN. THEIR RETURN IS, OF COURSE, RELATED TO SECURITY CONSIDERATIONS WHICH HOPEFULLY WILL BE RESOLVED IN THE NEAR FUTURE. KOLWEZI IS THE ECONOMIC HEART OF ZAIRE. ITS MINERAL PRODUCTION ACCOUNTS FOR APPROXIMATELY 50 PER CENT OF EXPORT EARNINGS AND ITS CONTRIBUTION WILL INCREASE
CONFIDENTIAL

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PAGE 03 KINSHA 05587 311436Z

TO APPROXIMATELY 65 PER CENT AS SOON AS THE GECAMINES EXPANSION PROGRAM COMES ON STREAM. RECENTLY SNEL AND GCM ARRANGED TO BUY POWER FOR THE EXPANSION PROGRAM FROM ZAMBIA FOR 1979, WHEN THE EXPANSION PROGRAM WAS TO COME ON STREAM. IT WAS ASSUMED THAT THE INGA-SHABA TRANSMISSION LINE WOULD BE FINISHED IN 1980. THAT DATE HAS NOW SLIPPED BY A YEAR AND PERHAPS SO HAS THE COMPLETION DATE OF THE GECAMINES EXPANSION. HOWEVER, POWER VIA THE ING-SHABA TRANSMISSION LINE WILL BE ESSENTIAL FOR THE EXPANSION PROGRAM AS ZAMBIA DOES NOT EXPECT TO HAVE SURPLUS POWER WITHIN THE RELATIVELY NEAR FUTURE. IN FACT, ZAMBIA WOULD NOT HAVE HAD SURPLUS POWER IN 1979 HAD ITS OWN DEVELOPMENT PROGRAMS PROCEEDED AS SCHEDULED.

8. IT IS MOST UNFORTUNATE THAT THE COST OF THE INGA-SHABA TRANSMISSION LINE AND DATE OF COMPLETION HAVE BEEN INCREASED BY SHABA II. HOWEVER, DESPITE THE INCREASED COST, WE BELIEVE THAT IT IS ESSENTIAL TO COMPLETE THE LINE AT THE EARLIEST POSSIBLE DATE SO AS TO MINIMIZE CONSTRUCTION COSTS. WERE THE LINE TO BE MOTHBALLED AT THIS TIME, THE COST EVENTUALLY COMPLETING THE LINE WOULD SOAR AND THE EXISTING SUBSTANTIAL INVESTMENT WOULD BE JEOPARDIZED. WE BELIEVE THAT THE GOZ ALSO GIVES HIGHEST PRIORITY TO COMPLETION OF THE LINE AS, DESPITE

ITS PRESENT ACUTE FINANCIAL DIFFICULTIES, IT ONLY RECENTLY
MADE ANOTHER \$2.4 MILLION DOWN PAYMENT ON THE PROPOSED EXIM
LOAN TO SNEL. END COMMENT.
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Message Attributes

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